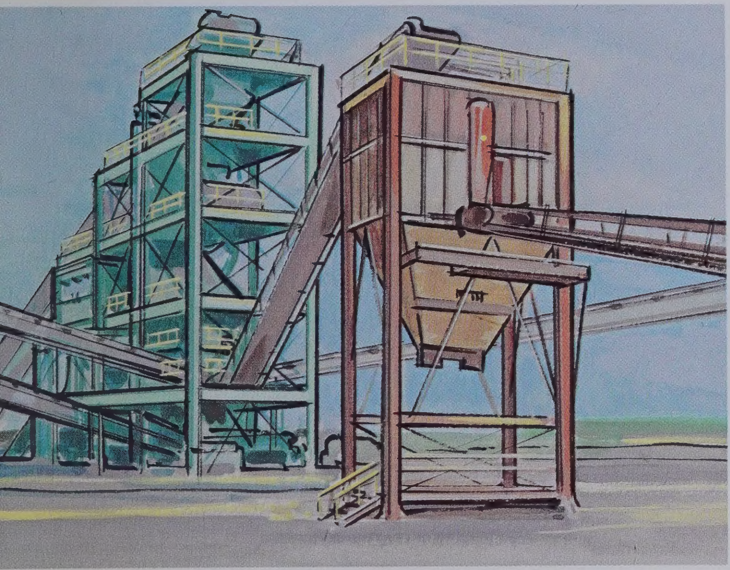
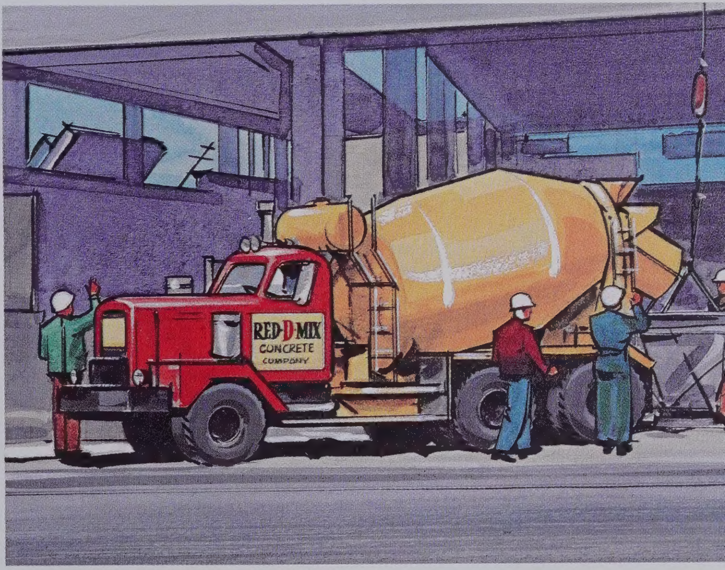
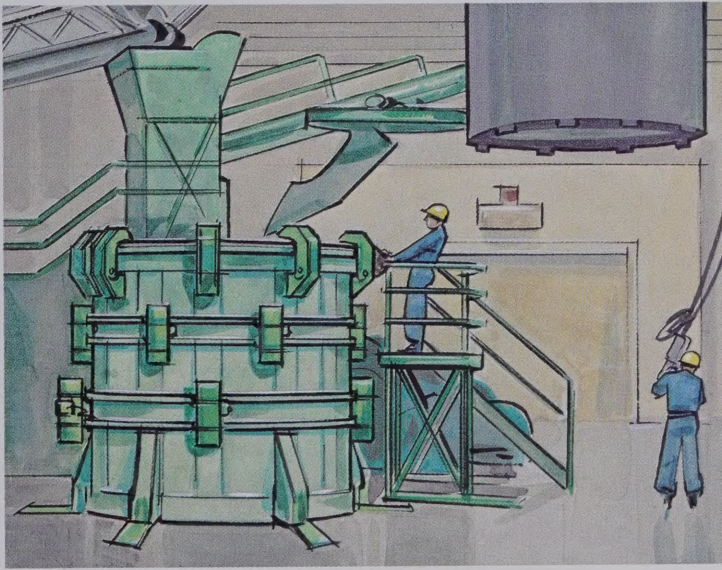
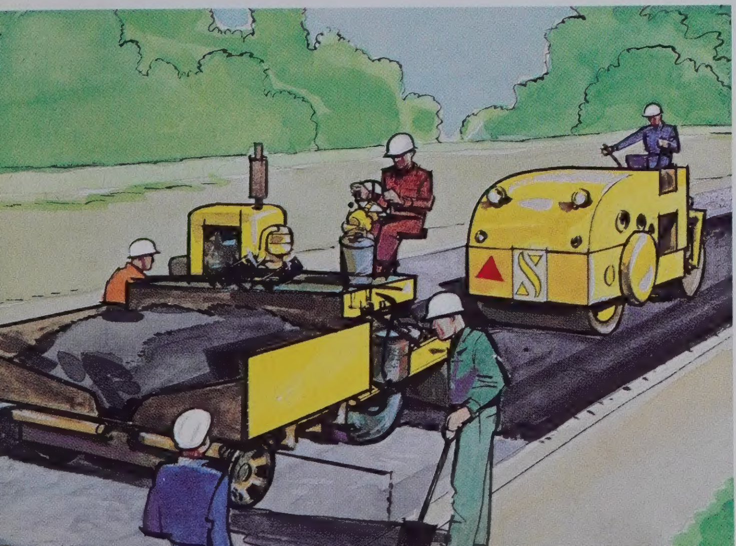
STANDARD PAVING & MATERIALS, LIMITED



ANNUAL
REPORT







March 31, 1972

Standard Paving & Materials, Limited

1224 Lawrence Avenue West, Toronto 390, Ontario

Company Profile

Standard Paving & Materials, Limited — a publicly owned company — is one of the largest producers in Canada of basic construction materials other than cement. The company produces sand and gravel, asphalt mixes, ready-mix concrete, concrete pipe and concrete block for sale in markets covering most of Southern Ontario. It is also a paving and road-building contractor in Ontario and Nova Scotia.

The Company has 1,360 shareholders. Dividends have been paid in every fiscal year since 1948. The shares are listed on the Toronto Stock Exchange.

Contents

Annual Meeting

Shareholders are cordially invited to attend the annual meeting of shareholders of the company, which will be held on Thursday, June 15, 1972 at 11:00 a.m. in the Manitoba Room of the Royal York Hotel, 100 Front Street West, Toronto, Ontario.

COVER PICTURES OF THE COMPANY'S OPERATIONS

The Pickering sand and gravel plant.

A "boost-a-load" ready-mix concrete truck at the King Street yard in Toronto.

An asphalt paving crew at work.

Ready-mixed concrete being delivered to a construction site.

A section of concrete pipe being lifted from the form.

STANDARD PAVING & MATERIALS, LIMITED
1224 Lawrence Avenue West
Toronto 390, Ontario

NOTICE OF THE ANNUAL MEETING OF THE SHAREHOLDERS

TAKE NOTICE that the Annual Meeting of the Shareholders of Standard Paving & Materials, Limited will be held in the Manitoba Room of the Royal York Hotel, 100 Front Street West, Toronto, Ontario at Eleven o'clock in the forenoon, Eastern Daylight Time, on Thursday, the 15th day of June, 1972 for the following purposes:

(i) To receive and consider the financial statements with the report of the Auditors thereon and the report of the Directors for the year ended March 31, 1972.

(ii) To elect Directors for the ensuing year.

(iii) To appoint Auditors and authorize the Directors to fix the Auditors' remuneration.

(iv) To transact such other business as may properly come before the meeting or any adjournment thereof.

DATED at Toronto this 10th day of May, 1972.

T. D. JONES,
Secretary.

If you do not expect to be present in person at the meeting it will be appreciated if you will complete and return the form of proxy accompanying this notice.

STANDARD PAVING & MATERIALS, LIMITED

INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This information circular is furnished in connection with the solicitation by the management of Standard Paving & Materials, Limited (the Company) of proxies to be used at the Annual Meeting of Shareholders of the Company to be held at the time and place and for the purposes set forth in the notice of meeting. The cost of solicitation will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

The persons designated in the enclosed form of proxy are directors of the Company. **A shareholder desiring to appoint some other person to represent him at the meeting may do so by striking out the names of the persons designated and by inserting such other person's name in the blank space provided in the form of proxy.** A person acting as proxy need not be a shareholder of the Company.

A shareholder who has given a proxy may revoke it by signing written notice of revocation and delivering it to the Secretary of the Company up to the day before the meeting or to the Chairman of the meeting.

EXERCISE OF DISCRETION BY PROXIES

The shares represented by the enclosed form of proxy will be voted, and where the shareholder giving the proxy specifies a choice with respect to any matter to be acted upon, the shares represented by the proxy will be voted in accordance with such specification.

The proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting, and with respect to other matters which may properly come before the meeting. At the time of printing this circular the management of the Company knows of no such amendments, variations or other matters to come before the meeting other than the matters referred to in the notice of meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF, AND INTEREST IN MATERIAL TRANSACTIONS

The Company has outstanding 1,024,296 shares of no par value each carrying the right to one vote per share. Canada Cement Lafarge Ltd. owns 511,673 shares, being 49.95% of the outstanding

INTRODUCING OUR MANAGEMENT

Ian L. Jennings, P.Eng., joined the company in 1952 as general superintendent of sand and gravel operations, after experience in mining and industry. He was appointed a Vice-president of the company in 1956 and elected a Director in 1966. He is also general manager of the company's aggregates operations and is located at the Toronto headquarters.

DIVIDEND, OCTOBER 31, 1972

18¢ per share

Your cheque is enclosed in payment of the quarterly dividend of 18¢ per share declared September 27, 1972, payable to shareholders of record October 17, 1972.

VALUATION DAY VALUE

The value of the company's shares for the purpose of taxable capital gains as established December 22, 1971 is $11.50 per share.

STANDARD PAVING & MATERIALS, LIMITED

6 months report

September 30, 1972

REPORT ON OPERATIONS

Six Months to September 30, 1972

Income before extraordinary item

Income for the six months, before profit on disposal of properties, rose to $1.30 per share ($1,336,000) from 50¢ per share ($513,000) last year. Sales were $30,858,000, 10% higher than $28,094,000 last year.

Income for the second quarter, before profit on disposal of properties, was 93¢ per share ($956,000), compared with 31¢ per share ($314,000) last year. Sales for the second quarter were $18,575,000, 20% higher than $15,472,000 last year.

This has been a busy summer for the construction industry in our market areas, with housing being particularly strong, and the volume and profitability of our sales of basic construction materials has benefited accordingly. Three months earnings of Oaks Precast Industries Limited, a major acquisition completed on May 31 this year, are included in this report.

Dividends

The quarterly dividend was raised to 18¢ per share with the dividend declared September 27, which is enclosed with this report. The previous rate of 15¢ per share was established with the dividend paid May 2, 1972, up from the previous rate of 12½¢ per share.

Outlook for second half-year

We expect that a good and profitable demand for our products will continue for the second half of the year. Our present thinking is that income for the year to March 31, 1973, before profit on disposal of properties, should be somewhat in excess of $2.00 per share, barring a serious reversal of the present trend of business activity.

Profit on disposal of properties

Profits on disposal of properties amounting to 85¢ per share ($864,000) result from two sales in the Toronto area; one was a former construction yard and ready-mix plant which we no longer required; the other was vacant land sold to a municipality for road improvements. Sale of a worked-out gravel property is expected to close in December, and this will yield an additional profit of some 70¢ per share.

Additions to property, plant and equipment

Additions of $1,635,000 include, among other items, the purchase of the concrete block business in Sarnia, Ontario, formerly operated by Belton Lumber Co. Ltd., and the replacement of two obsolete ready-mix concrete plants with new structures. We have under construction in Toronto a second plant for the production of pre-cast manholes, which should be completed in early 1973.

Proposed share split and increase in authorized capital

The board of directors on September 27 announced that they intended to ask shareholders' approval for splitting the company's shares on a 3 for 1 basis. Shareholders will be receiving in a day or so formal notice of a special general meeting to be held for this purpose on November 22. At the same time, shareholders will be asked to approve an increase of 579,280 shares in authorized capital to 4,000,000 common shares without nominal or par value. There is no present intention of issuing any of the newly-created shares.

On behalf of the Directors,

HUGH F. GRIGHTMIRE
President

Toronto, Ontario
October 24, 1972

CONSOLIDA

Six months ended

(unaudited and subject

REVENUE

Sales and contract revenue ....

Income from investments ....

EXPENSE

Cost of sales and operating expenses,
exclusive of the following items ..

Administration and selling ....

Depreciation and depletion ....

Interest on long-term debt ....

Other interest expense ....

INCOME BEFORE INCOME TAXES AND
EXTRAORDINARY ITEM ....

Income taxes ....

INCOME BEFORE EXTRAORDINARY ITEM
(per share 1972 — \$1.30; 1971 — 50¢)

Profit on disposal of properties ....

NET INCOME
(per share 1972 — \$2.15; 1971 — 50¢)

D INCOME

ptember 30, 1972

year-end adjustments)

	In Thousands of Dollars 1972	1971
....	**30,858**	28,094
....	**24**	13
	30,882	28,107
....	**24,066**	23,357
....	**2,184**	1,993
....	**1,881**	1,588
....	**154**	108
....	**14**	54
	28,299	27,100
....	**2,583**	1,007
....	**1,247**	494
....	**1,336**	513
....	**864**	—
....	**$ 2,200**	$ 513

CONSOLIDATED SOURCE

Six months ended

(unaudited and subject

SOURCE OF FUNDS

Income before extraordinary item .....
Depreciation and depletion ....
Funds from operations ....
Mortgages receivable, reduction in non-current portion ....
Increase in long-term debt ....
Profit on disposal of properties ....
Exercise of officer's share purchase option ....

APPLICATION OF FUNDS

Additions to property, plant and equipment, net ....
Dividends (per share 1972 — 33¢; 1971 — 25¢) ....
Long-term debt, reduction in non-current portion ....
Increase in mortgages receivable ......
Purchase of shares of Oaks Precast Industries Limited, less working capital at date of acquisition (note)

INCREASE IN WORKING CAPITAL ....
WORKING CAPITAL, APRIL 1 ....
WORKING CAPITAL, SEPTEMBER 30 ......

Note: This amount includes $324,000 representing the excess of the purchase price over the values assigned to the tangible assets acquired, and this excess has been charged to Retained Earnings.

AND APPLICATION OF FUNDS

September 30, 1972

to year-end adjustments)

	In Thousands of Dollars 1972	1971
. . . .	1,336	513
. . . .	1,881	1,588
. . . .	3,217	2,101
. . . .	22	30
. . . .	1,075	90
. . . .	864	—
. . . .	65	—
	5,243	2,221
. . . .	1,635	1,618
. . . .	339	256
. . . .	491	300
. . . .	546	—
. . . .	1,222	—
	4,233	2,174
. . . .	1,010	47
. . . .	4,567	4,856
. . . .	$ 5,577	$ 4,903

INTRODUCING OUR MANAGEMENT

Ian L. Jennings, P.Eng., joined the company in 1952 as general superintendent of sand and gravel operations, after experience in mining and industry. He was appointed a Vice-president of the company in 1956 and elected a Director in 1966. He is also general manager of the company's aggregates operations and is located at the Toronto headquarters.

DIVIDEND, OCTOBER 31, 1972

18¢ per share

Your cheque is enclosed in payment of the quarterly dividend of 18¢ per share declared September 27, 1972, payable to shareholders of record October 17, 1972.

VALUATION DAY VALUE

The value of the company's shares for the purpose of taxable capital gains as established December 22, 1971 is $11.50 per share.

shares of the Company. In the usual course of business the Company buys a substantial portion of its cement requirements from Canada Cement Lafarge Ltd. at prevailing market price.

The directors and senior officers of the Company do not known of any other person or company beneficially owning, directly or indirectly, more than 10% of the outstanding shares of the Company.

ELECTION OF DIRECTORS

The board consists of eight directors to be elected annually. The persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth herein, all of whom are now members of the board of directors and have been during the period indicated. Each director elected will hold office until the next Annual Meeting and until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws.

The following table states the names of all the persons proposed to be nominated for election as directors, all other positions and offices with the Company now held by them, their present principal occupations or employment and any other principal occupations and employments within the five preceding years, the year in which they become directors of the Company, and the approximate number of shares of the Company beneficially owned directly or indirectly by each of them as of April 30, 1972.

	Became Director	Shares*
S. C. Cooper is President and General Manager of C. A. Pitts Engineering Construction Ltd., heavy engineering construction contractors.	1967	75,000
Hugh F. Grightmire is President of the Company. Until September 1970, he was Executive Vice-President of Permanent Concrete Limited of Brockville; then President of that company until June 1971.	1971	100
J. B. Hanly is a Vice-President of Canada Cement Lafarge Ltd., manufacturers of cement.	1963	1,700
I. L. Jennings is a Vice-President of the Company.	1966	810
P. Jongeneel is Senior Vice-President and Treasurer of Canada Cement Lafarge Ltd. Until May 1970, Mr. Jongeneel was Vice-President Finance of Lafarge Canada Ltd.	1971	100
D. G. Lawson is President of Moss Lawson & Co. Limited, Investment Dealers.	1965	1,000
J. H. Reid is Chairman of the Board of the Company.	1957	100
T. H. Stevenson is Chairman of the Board of Permanent Concrete Ltd., Brockville. Until September 1970, Mr. Stevenson was President of Permanent Concrete Limited.	1970	11,000

(*The information as to shares beneficially owned, not being within the knowledge of the Company, has been furnished by the respective directors individually.)

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Aggregate direct remuneration paid or payable by the Company and its subsidiaries in the year ended March 31, 1972 to the directors and senior officers of the Company	$ 227,000
Estimated aggregate cost to the Company and its subsidiaries in the year ended March 31, 1972 of all pension benefits proposed to be paid to the directors and senior officers of the Company under any normal pension plan in the event of retirement at normal retirement age	$ 11,400

A senior officer of the Company has been granted an option to purchase 25,000 unissued shares of the Company at a price of $9.225 per share exercisable as to 7,000 shares after July 1, 1972 and as to the remainder after various dates from July 1, 1973 to July 1, 1977. The options expire July 31, 1977.

During the 30 days preceding May 31, 1971, the date of a grant, the quoted price range of the Company's stock was 09.25 to $10.00.

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the appointment of Messrs. Thorne, Gunn, Helliwell and Christenson, Chartered Accountants, Toronto, as auditors of the Company, to hold office until the next Annual Meeting of Shareholders and to authorize the Board to fix their remuneration. Messrs. Thorne, Gunn, Helliwell and Christenson and the predecessors of that firm have been auditors of the Company for more than five years.

By order of the Board of Directors,

T. D. JONES,
Secretary.

Toronto, Ontario,
May 10, 1972.

Printed in Canada

The Year in Brief

PER SHARE	March 31 1972	March 31 1971
Income (before profit on disposal of properties)	**$ 1.35**	$ 0.76
Profit on disposal of properties	**0.53**	—
Net income	**1.88**	0.76
Dividends to shareholders	**0.52½**	0.50
FINANCIAL		
Income (before profit on disposal of properties)	**$ 1,381,000**	$ 781,000
Profit on disposal of properties	**545,000**	—
Net income	**1,926,000**	781,000
Dividends to shareholders	**538,000**	512,000
Sales	**45,251,000**	39,864,000
Additions to property, plant and equipment	**5,562,000**	2,925,000
Working capital at year end	**4,567,000**	4,856,000
STATISTICAL		
Number of employees — March	**836**	983
Number of employees — September	**1,530**	1,441
Number of shareholders — March	**1,360**	1,493

Highlights of 1972

Income (before profit on disposal of properties), although hesitant in the first quarter, improved rapidly in the July to December period, then slowed in the final quarter under the influence of adverse winter conditions and some strike action in the construction industry. For the year, earnings improved 77% over last year.

Prospects are good for another improvement in earnings during 1972/73.

Properties no longer required for our operations were sold at a profit equal to 53¢ per share.

The quarterly dividend rate was raised to 0.15¢ (from 0.12½¢) with the dividend declared March 29, payable May 2, 1972.

Additions to properties, plant and equipment included the acquisition of new ready-mix locations in Windsor, Sarnia and Richmond Hill, and a new high-capacity ready-mix plant at our existing location in Mississauga. These growth projects accounted for 30% of total capital expenditures of $5,562,000.

Directors' Report to the Shareholders

J. H. Reid
Chairman of the Board

Hugh F. Grightmire
President

FINANCIAL REVIEW

Earnings and sales: Income (before profit on disposal of properties) rose to $1,381,000 ($1.35 per share) from $781,000 (76¢ per share) last year, an increase of 77%. Sales amounted to $45,251,000 compared with $39,864,000 last year, an increase of 13½%.

Quarterly sales and income
(thousands of dollars)

	Sales		Income*	
	1972	1971	**1972**	1971
Quarter ended —				
June 30	**12,622**	10,744	**199**	195
September 30	**15,472**	13,072	**314**	122
December 31	**12,112**	10,481	**629**	294
March 31	**5,045**	5,567	**239**	170
	45,251	39,864	**1,381**	781

* before profit on disposal of properties

Sales volume was at a high level from the start of the fiscal year, reflecting construction activity in our major market areas, but earnings improvement lagged until higher price levels took hold in the second quarter. Third quarter results benefited additionally from an increased dividend from National Slag Limited and income tax reductions by the Federal and Ontario governments. Results of the final quarter continued their improvement over the previous year, although volume was affected by severe winter conditions and by strike action in a sensitive sector of the construction industry.

Dividends: The quarterly dividend rate was increased to 15¢

per share (from 12½¢) with the dividend declared March 29, paid May 2, 1972, to make a total of 52½¢ per share declared for the year to March 31, 1972. A dividend of 15¢ per share, declared May 10, 1972, will be paid on August 1.

Dividends declared during the year ended March 31, 1972 were—

Date declared	Date paid	Dividend per share
May 12, 1971	August 3, 1971	12½¢
September 29	November 2	12½
November 24	February 1, 1972	12½
March 29, 1972	May 2	15
		52½¢

Four quarterly dividends of 12½¢ per share had been declared in the year ended March 31, 1971 — a total for that year of 50¢ per share.

Profit on disposal of properties: During the year the company disposed of three properties at a profit of $545,000. The largest sale was of a ready-mix concrete plant site in an area of Toronto which can now be more economically served from our other plants. The other two properties were small gravel pits no longer required for the company's operations.

Two other sales of surplus properties are being negotiated, including one on which the full purchase price of $598,000 has been deposited with the company. When these sales are completed, they will result in a profit of approximately $1,000,000 during the year ending March 31, 1973.

Property, plant and equipment: Net investment during the year amounted to $5,562,000 (last year $2,925,000). This was partly financed by a $1,000,000 five year bank term loan, mortgages of $90,000 on properties purchased, and realizations from surplus properties sold or optioned.

Capital expenditures included the purchase of a ready-mixed concrete business in Sarnia, Ontario, formerly operated by Belton Lumber Co. Ltd., and the ready-mixed concrete and builders' supply business of Colautti-Cross Holdings Ltd., in Windsor, Ontario. The company also bought a ready-mix concrete plant in Richmond Hill, 15 miles north of Toronto, and has constructed a new high-capacity ready-mix plant in Mississauga, west of Toronto, which is well placed to serve that rapidly growing residential and industrial area. These growth projects accounted for $1,700,000 of the year's investment. Other expenditures included additions to gravel reserves, and replacement and expansion of our equipment fleet.

Depreciation and depletion for the year, at $2,351,000, was $174,000 more than in the previous year. The increase reflects the first full year of operating the Stouffville aggregates plant, new operations acquired during the year, and the increasing price levels of equipment.

Working capital: At March 31, 1972, working capital amounted to $4,567,000, a decrease of $289,000 from $4,856,000 at the beginning of the fiscal year. The net outflow of funds results from capital expenditures in excess of funds arising from operations and disposals of property, after dividends and debt changes.

Cash and short-term investments increased to $3,149,000 from $2,387,000, and inventories to $2,216,000 from $2,085,000. Accounts receivable decreased to $4,145,000 from $4,920,000, reflecting better collections experience in recent months and lower sales in February and March. Accounts payable increased to $5,008,000 from $4,564,000 as a result of greater capital expenditures towards the end of the year.

OPERATIONS

Construction Materials

The production and sale of basic construction materials is the company's principal business. In the year under review, it accounted for 83% of sales, and 74% of earnings before deducting administration, financial and other expenses common to the entire enterprise.

Sand and gravel: Both sales volume and the price structure were under pressure during the year from recently introduced competitive capacity. Rehabilitation and conservation costs increased. Results were less satisfactory than had been anticipated. In the coming year operations are being temporarily suspended at one location, and other measures are being taken to assist a return to a more normal earnings level.

Legislative and regulatory postures towards the aggregates industry have become steadily more repressive in the past year and are impeding our efforts to prepare for increasing future demands for these products. Such restrictive attitudes, unless soon relaxed, may result in a gradually shrinking supply of an indispensable construction material.

Ready-mixed concrete: Concrete sales outside the Toronto market continued to increase. We expanded our marketing area into Sarnia and Windsor during the year, and expect that these new locations will become important contributors to your company's earnings.

In the Toronto market, intense pressures on prices had, by the start of the year, developed into a price war, which slowly abated in the fall months as more realistic price levels took effect. Profitability for the year as a whole was unsatisfactory, but we are going into a new year with a price structure that should result in more reasonable earnings, and with our market area expanded into Richmond Hill and Mississauga.

Recent changes in regulations governing axle-loading of trucks have enabled larger capacity ready-mix trucks to be introduced. As a result, we have stepped-up our regular replacement programme so as to benefit from the larger payloads permissible with the latest truck models.

Concrete pipe: Sales of concrete pipe resumed their steady upward trend after the previous year's pause, stimulated both by increased housing and sub-division activity and by the accelerating programme of public works initiated during the year. We expect the coming year to be just as active.

We have increased productive capacity by the addition of two new pipe manufacturing machines, and have enlarged the area available for stock-piling pipe inventory in our Toronto plant.

Other products: In addition to the main products already reported on, the company sells asphalt mixes, marine sand, concrete block and builders' supplies. These products account for about 10% of total sales, with a proportionate contribution to earnings. Both sales and earnings have improved over the previous year.

Paving and Road-building

In the year under review, paving and road-building contract work accounted for 17% of total sales, and 26% of earnings before deducting administration, financial and other expenses common to the entire enterprise. The value of contract work completed during the year increased, both in Ontario and Nova Scotia, and performance has continued to improve.

LABOUR RELATIONS

As the majority of collective agreements were negotiated for a two-year term in 1970, there was little activity and few problems in 1971.

At this time, new collective agreements are being negotiated to cover the 1972 and 1973 working seasons. The tendency of labour proposals is to a continuous widening of costly fringe benefits and, at the same time, to press for pay increases by means of higher hourly rates and shorter, but financially equalized, working hours.

This year our challenge is to negotiate these agreements within a framework of labour peace without being placed in a non-competitive situation due to inflationary costs.

OUTLOOK

The past year has been one of sustained demand for our products in most market areas, combined with some improvements in our price levels. We see both these trends continuing into the coming season —although sales are getting off to a late start because of weather conditions. Labour contracts have yet to be negotiated for summer operations, but provided these can be completed without serious work interruptions, we are optimistic that further improvement in the company's earnings will be achieved in the current year.

The programme of capital expenditures in 1972/73 to provide for normal replacement and upgrading of our equipment fleet, fixed plants and gravel reserves is expected to be approximately $2,700,000. Since year-end, negotiations have been completed for the purchase of Oaks Precast Industries Limited and Oaks Transport Limited of Guelph, Ontario, the largest producer in Canada of precast manholes; this purchase involves a total commitment of close to $2,000,000, and will be an important adjunct to our concrete pipe business. Further projects for expansion will be pursued, but the amounts likely to be involved cannot at this point be foreseen with any precision. We shall continue to identify surplus resources of the company so as to assist financing of growth projects to the greatest extent possible.

APPRECIATION

Your directors take this opportunity to express their thanks to management and employees for their efforts during the past year, and to acknowledge the continuing interest and support extended by shareholders, customers and suppliers.

On behalf of the Board,

J. H. Reid, Chairman

Hugh F. Grightmire, President

Toronto, May 10, 1972.

Conservation—seeing is believing

What do you do with a gravel pit when you've taken all the sand and gravel away?

At our East Paris operation we've planted new forests and now we're trying wheat fields.

East Paris is our oldest excavation and as the work of harvesting natural resources in sand and gravel goes on, we're planning other harvests for years to come.

As the pit operation moves on, subsoil and topsoil are replaced at an average rate of 5,000 cubic yards per acre.

In past years, trees have been planted, but this year, as a test, we arranged with a neighbouring farmer to plant winter wheat — 5 acres of it.

The wheat will be followed by corn to establish how well various farm crops will fare on our reclaimed land.

It is our concern to harvest resources. Not to destroy the usefulness or beauty of an area. Ontario needs sand and gravel to grow — but it also needs forests and fields and homes.

So, wherever we are harvesting sand and gravel, we are planning ahead to leave something useful and beautiful behind. Like wheat fields and forests and parks and building sites. Because we care about conservation.

The Doctor Joseph O. Ruddy General Hospital, Whitby, Ont., sculptured in cast-in-place concrete supplied by McCord & Company. Architects were Craig, Zeidler & Strong; general contractors were Hurley Gregoris Construction.

The new tower at the Inn on the Park, Toronto, completed in 1971. McCord & Company and Consolidated Sand & Gravel, Company supplied the concrete and aggregates. Architects were Webb, Zerafa, Menkes and Housden; consulting engineers were M. S. Yolles Associates Ltd.

STANDARD PAVING & MATERIALS, LIMITED

CONSOLIDATED INCOME AND RETAINED EARNINGS
Year ended March 31, 1972

	In Thousands of Dollars	
	1972	1971
REVENUE		
Sales and contract revenue	**$ 45,251**	$ 39,864
Income from investments	**184**	223
	45,435	40,087
EXPENSE		
Cost of sales and operating expenses, exclusive of the following items	**37,210**	33,101
Administration and selling	**3,151**	3,002
Depreciation and depletion	**2,351**	2,177
Interest on long-term debt	**210**	268
Other interest expense	**56**	41
	42,978	38,589
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	**2,457**	1,498
Income taxes	**1,076**	717
INCOME BEFORE EXTRAORDINARY ITEM	**1,381**	781
Per share	*1.35*	*.76*
Profit on disposal of properties, net of income taxes thereon of $10,000	**545**	—
NET INCOME	**1,926**	781
Per share	*1.88*	*.76*
Retained earnings at beginning of year	**11,812**	11,543
	13,738	12,324
Dividends	**538**	512
Per share	*.52½*	*.50*
RETAINED EARNINGS AT END OF YEAR	**$ 13,200**	$ 11,812

The supplementary financial information at pages 10 and 11 is an integral part of this statement.

STANDARD PAVING & MATERIALS, LIMITED

(Incorporated under the laws of Ontario)

CONSOLIDATED FINANCIAL POSITION

March 31, 1972

	In Thousands of Dollars	
	1972	1971
CURRENT ASSETS		
Cash	**$ 364**	$ 289
Short term investments, at cost (approximates market)	**2,785**	2,098
Accounts receivable	**4,145**	4,920
Mortgages receivable, current portion	**23**	58
Inventories	**2,216**	2,085
Income taxes recoverable	**251**	—
Prepaid expenses	**468**	684
	10,252	10,134
CURRENT LIABILITIES		
Accounts payable and accrued	**5,008**	4,564
Dividends payable	**154**	128
Income taxes	**—**	266
Long-term debt, current portion	**523**	320
	5,685	5,278
WORKING CAPITAL	**4,567**	4,856
Mortgages receivable, excluding current portion	**560**	194
Investment in associated company, at cost	**13**	13
Property, plant and equipment, at cost less accumulated depreciation and depletion	**18,866**	15,655
	24,006	20,718
Deduct		
Deposit on optioned property	**598**	—
Long-term debt	**3,408**	2,913
Deferred income taxes	**3,467**	2,660
	7,473	5,573
SHAREHOLDERS' EQUITY	**$ 16,533**	$ 15,145
Derived from:		
Capital stock		
Authorized — 1,140,240 common shares of no par value		
Issued — 1,024,296 shares	**3,333**	3,333
Retained earnings	**13,200**	11,812
Total Shareholders' Equity	**$ 16,533**	$ 15,145

The supplementary financial information at pages 10 and 11 is an integral part of this statement.

Approved by the Board:

J. H. REID, Director.

HUGH F. GRIGHTMIRE, Director.

CONSOLIDATED SOURCE AND APPLICATION OF FUNDS
Year ended March 31, 1972

	In Thousands of Dollars	
SOURCE OF FUNDS	**1972**	1971
Income before extraordinary item	**$ 1,381**	$ 781
Depreciation and depletion	**2,351**	2,177
Deferred income taxes	**807**	62
Funds from operations	**4,539**	3,020
Mortgages receivable, reduction in non-current portion	**34**	720
Increase in long-term debt	**1,090**	805
Profit on disposal of properties	**545**	—
Deposit received on optioned property	**598**	—
	6,806	4,545
APPLICATION OF FUNDS		
Additions to property, plant and equipment, net	**5,562**	2,925
Dividends	**538**	512
Long-term debt, reduction in non-current portion	**595**	885
Increase in mortgages receivable	**400**	—
	7,095	4,322
INCREASE (DECREASE) IN WORKING CAPITAL	**$ (289)**	$ 223

The supplementary financial information at pages 10 and 11 is an integral part of this statement.

AUDITORS' REPORT

To the Shareholders of
Standard Paving & Materials, Limited

We have examined the consolidated financial statements, appearing on pages 7 through 11, of Standard Paving & Materials, Limited and subsidiary companies for the year ended March 31, 1972. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
May 2, 1972.

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

SUPPLEMENTARY FINANCIAL INFORMATION
March 31, 1972

ACCOUNTING AND FINANCIAL PRACTICES

INVENTORY VALUATION

Inventories of saleable materials and products are valued at the lower of average annual cost and net realizable value. Inventories of raw materials and supplies are valued at the lower of laid-down cost and replacement value, less any allowance for deterioration or obsolescence.

INVESTMENT IN ASSOCIATED COMPANY

The company owns a one-third interest in National Slag Limited. Dividends received are included in income from investments.

DEPRECIATION AND DEPLETION

Plant and equipment are depreciated over their estimated useful lives (buildings 25 years, plant and equipment 5 to 10 years) on a straight line basis. Gravel deposits as sources of material are depleted over their estimated useful lives on the basis of quantities extracted.

CONTRACT REVENUE

Income from contracts is recognized on a percentage of completion basis and full provision is made for losses as they become evident.

INCOME TAXES

Capital cost allowances which may be claimed for income tax purposes differ from depreciation and depletion recorded in the accounts, and certain other timing differences also exist in the determination of income for tax purposes. The company follows the practice of claiming maximum allowances in calculating income for tax purposes. When those allowances exceed amounts recorded in the accounts, income taxes so deferred are charged against income. When the allowances utilized are less than amounts recorded in the accounts, an appropriate part of the taxes previously deferred is transferred back to income. The accumulated net amount of taxes so deferred is shown as deferred income taxes in the consolidated financial position statement.

Through the application of special tax credits based on the acquisition of new plant and equipment, 1972 Provincial income taxes have been reduced by $70,000.

EQUIPMENT AND OTHER LEASES

The Company leases part of its equipment requirements. Equipment rental expense in 1972 amounted to $740,000; commitments for equipment rentals amount to $480,000 in 1973, $370,000 in 1974, $40,000 in 1975 and $2,000 in 1976. Annual commitments for gravel royalties and land and building rentals amount to approximately $160,000.

INTERIM FINANCIAL REPORTS

Depreciation, depletion, repair and overhaul and other fixed overhead costs are provided for on an annual basis and are charged against operations based on the sales volume during each interim period.

Supplementary Financial Information (Continued)
March 31, 1972

DETAILS OF CERTAIN ASSETS AND LIABILITIES

	In Thousands of Dollars 1972	1971
INVENTORIES		
Saleable materials and products	**$ 1,693**	$ 1,620
Raw materials and supplies	**523**	465
	$ 2,216	$ 2,085
PROPERTY, PLANT AND EQUIPMENT		
Land and gravel deposits	**$ 6,155**	$ 5,729
Buildings, plant and equipment	**33,344**	30,516
Construction work-in-progress	**372**	500
	39,871	36,745
Less accumulated depreciation and depletion	**21,005**	21,090
	$ 18,866	$ 15,655
LONG-TERM DEBT		
Bank term loans, secured, due 1972/1977 (interest rates fluctuating with the prime rate)	**$ 2,786**	$ 1,849
Mortgages payable, due 1972/1982	**1,045**	1,146
Other secured debt, due 1972/1973	**100**	238
	3,931	3,233
Less current portion	**523**	320
	$ 3,408	$ 2,913

Long-term debt matures as follows in the years ending March 31, 1973 $523,000, 1974 $923,000, 1975 $943,000, 1976 $925,000, 1977 $462,000.

COMMITMENTS TO SELL PROPERTIES

An option, expiring December 31, 1972, covering the sale of property has been granted and the optionor has deposited with the company the full purchase price of $598,000, returnable on or after April 1, 1973 in the event that the option to purchase is not exercised. Under this agreement, the company retains ownership of and the right to operate a gravel processing plant that is erected on the site.

A sale agreement on a second property has a closing date subsequent to the year end.

These two property disposals, subject to final closing, would give rise to $1,000,000 profit during the year ending March 31, 1973.

PENSION PLAN

Amendments to company pension plans have resulted in unfunded past service liabilities, the company's share of which is $260,000 at March 31, 1972. It is the company's intention to fund this liability over a period of 18 years.

SHARE PURCHASE OPTIONS

During the year, an option to purchase 25,000 shares at $9.22½ per share was granted to an officer of the company. This option expires July 31, 1977.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

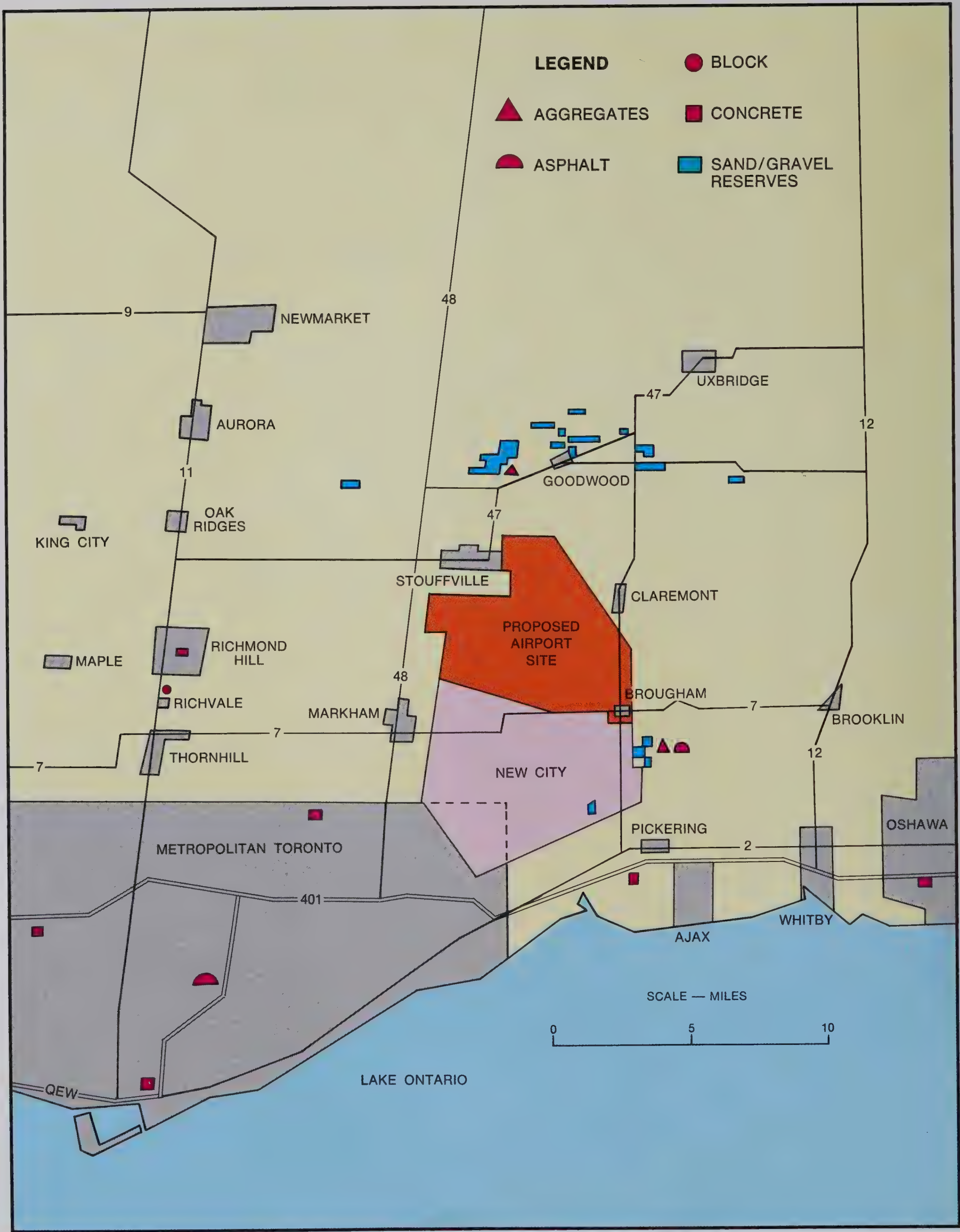
Total direct remuneration of directors and senior officers amounted to $227,000 ($187,000 in 1971).

Financial Summary in thousands of dollars (except per share amounts)

years ended March 31

Income	1972	1971	1970	1969	1968
Sales and contract revenue	**45,251**	39,864	39,652	42,865	36,796
Income before extraordinary item	**1,381**	781	871	1,202	250
Profit on disposal of properties	**545**		1,013	28	861
Net income	**1,926**	781	1,884	1,230	1,111
Financial Position					
Working capital	**4,567**	4,856	4,632	4,823	3,789
Fixed assets — net	**18,866**	15,655	14,907	13,928	11,088
Other assets	**573**	207	927	191	344
	24,006	20,718	20,466	18,942	15,221
Long term debt	**3,408**	2,913	2,992	2,805	1,064
Deferred income taxes	**3,467**	2,660	2,598	2,479	1,525
Minority interest in subsidiaries					
Deposit on optioned property	**598**				
	7,473	5,573	5,590	5,284	2,589
Shareholders' equity	**16,533**	15,145	14,876	13,658	12,632
Source and Application of Funds					
Income before extraordinary item	**1,381**	781	871	1,202	250
Depreciation and depletion	**2,351**	2,177	2,026	1,685	1,763
Deferred income taxes	**807**	62	405	954	(41)
Funds from operations	**4,539**	3,020	3,302	3,841	1,972
Profit on disposal of properties	**545**		1,013	28	861
Long-term debt increase (decrease)	**495**	(80)	187	1,742	(17)
	5,579	2,940	4,502	5,611	2,816
Capital expenditures — Net	**5,562**	2,925	3,006	4,524	675
Acquisition of new subsidiaries					
Dividends	**538**	512	666	205	205
Mortgages receivable increase (decrease)	**366**	(720)	735	(29)	121
Other	**(598)**		286	(123)	30
	5,868	2,717	4,693	4,577	1,031
Increase (decrease) in working capital	**(289)**	223	(191)	1,034	1,785
Per Share					
Income before extraordinary item	**1.35**	.76	.85	1.17	.24
Profit on disposal of properties	**.53**		.99	.03	.84
Net income	**1.88**	.76	1.84	1.20	1.08
Dividends	**.52½**	.50	.65	.20	.20

	1967	1966	1965	1964	1963
	40,925				
	142	1,149	1,005	698	701
		236		365	
	142	1,385	1,005	1,063	701
	2,004	2,795	5,049	5,084	4,957
	12,189	11,573	7,396	6,736	6,097
	222	152			
	14,415	14,520	12,445	11,820	11,054
	1,081	1,075	39	40	90
	1,608	1,220	675	348	151
				1,298	1,258
	2,689	2,295	714	1,686	1,499
	11,726	12,225	11,731	10,134	9,555
	142	1,149	1,005	698	701
	1,729	1,820	1,177	1,004	977
	387	546	327	197	(19)
	2,258	3,515	2,509	1,899	1,659
		236		365	
	5	914	(1)	(62)	(35)
	2,263	4,665	2,508	2,202	1,624
	2,345	4,745	1,538	1,548	1,175
		1,397	304	182	
	640	666	512	410	410
	(65)	111			(137)
	134		189	(65)	(60)
	3,054	6,919	2,543	2,075	1,388
	(791)	(2,254)	(35)	127	236
	.14	1.12	.98	.68	.68
		.23		.36	
	.14	1.35	.98	1.04	.68
	.62½	.65	.50	.40	.40


LEGEND
AGGREGATES
ASPHALT
BLOCK
CONCRETE
SAND/GRAVEL RESERVES
NEWMARKET
AURORA
OAK RIDGES
KING CITY
MAPLE
RICHMOND HILL
RICHVALE
THORNHILL
MARKHAM
STOUFFVILLE
PROPOSED AIRPORT SITE
NEW CITY
GOODWOOD
UXBRIDGE
CLAREMONT
BROUGHAM
BROOKLIN
PICKERING
AJAX
WHITBY
OSHAWA
METROPOLITAN TORONTO
LAKE ONTARIO
QEW
401
9
11
48
47
7
12
2
SCALE — MILES
0
5
10

Toronto's Proposed New International Airport

Your company is strategically located relative to the proposed new international airport. After many months of studies of a series of possible locations, the governments of Canada and Ontario jointly announced on March 2, 1972 the selection of an 18,000 acre site north-east of Metropolitan Toronto.

In conjunction with development of the airport by the federal government, the Province of Ontario will direct the establishment of a new city on an additional 25,000 acres to the south of the airport.

The locations of these sites are illustrated on the accompanying map. In addition, your company's production centres and sand and gravel reserve properties are shown.

The selection of this site to the east of Metropolitan Toronto has been described as a major step in the implementation by the Province of Ontario of the Toronto-Centred Region Plan which has as one of its precepts, the stimulation of an expanding community structure along the shore of Lake Ontario eastward from Toronto.

The opening date for the initial airport facilities is targeted for 1978 or early 1979. The same date is projected for completion of the first phase of the new city. It is anticipated that this new city will have an ultimate population of 150,000 to 200,000 by 1990-95.

In addition to construction of the airport runways and structures, and the buildings and services within the new city, major external services will be required.

The Province of Ontario intends to build Highway 407 as an east-west route several miles north of and parallel to Highway 401. Highway 407 will serve the entire urbanized eastern portion of the Toronto-Centred Region. Another freeway running northeast from Toronto will be constructed to serve the new city and airport and existing urban areas. Rapid-transit lines to serve urban centres developing northeast of Metropolitan Toronto, one of which would run through the new city, the airport and extend to towns further east, are also proposed.

The airport proposal has provoked some controversy and opposition, so that its future realization is by no means assured. Your company however is well placed to supply the basic construction materials which will be needed if the project goes ahead.

Directors, Officers and Management

DIRECTORS

S. C. COOPER
President of C. A. Pitts Engineering Construction Limited

HUGH F. GRIGHTMIRE
President of the Company

J. B. HANLY
Vice-President of Canada Cement Lafarge Limited

I. L. JENNINGS
Vice-President of the Company

P. JONGENEEL
Senior Vice-President and Treasurer of Canada Cement Lafarge Limited

D. G. LAWSON
President of Moss Lawson & Co. Limited

J. H. REID
Chairman of the Board of the Company

T. H. STEVENSON
Chairman of the Board of Permanent Concrete Limited

OFFICERS

J. H. REID
Chairman of the Board

HUGH F. GRIGHTMIRE
President

I. L. JENNINGS
Vice-President

T. D. JONES
Vice-President and Secretary-Treasurer

M. E. McRAE
Vice-President

R. F. TITUS
Vice-President

T. A. WILCOX
Vice-President

G. H. HAWKETT
Comptroller

E. J. HADDEN
Assistant Secretary-Treasurer

MANAGEMENT OF SUBSIDIARIES AND DIVISIONS

A. H. BAXTER
General Manager, Red-D-Mix Concrete Company, Standard Paving Company and North Bay Concrete & Supply Company
Vice-President, E. V. Breckon Limited and National Sand and Material Company, Limited

M. C. EDWARDS
General Manager, McCord & Company and York Block and Building Supply

I. L. JENNINGS
General Manager, Consolidated Sand & Gravel Company

M. E. McRAE
General Manager, Concrete Pipe Company

R. F. TITUS
President, Standard Paving Maritime Limited

Registrar and Transfer Agents	CANADA PERMANENT TRUST COMPANY *1901 Yonge Street, Toronto*
Auditors	THORNE, GUNN, HELLIWELL & CHRISTENSON *Chartered Accountants* *Royal Trust Tower* *Box 262, Toronto Dominion Centre* *Toronto, Ontario*
Bankers	CANADIAN IMPERIAL BANK OF COMMERCE BANK OF NOVA SCOTIA

Corporate Organization

STANDARD PAVING & MATERIALS, LIMITED

is a holding company; operations are conducted by the subsidiaries listed below, all of which are wholly owned.

S. P. & M. MATERIALS LIMITED

is the principal subsidiary, and carries on business through its operating divisions —

Consolidated Sand & Gravel, Company — production of sand and gravel, and asphalt mixes.

McCord & Company — ready-mixed concrete in the Toronto Metropolitan area and Oshawa.

Red-D-Mix Concrete Company — ready-mixed concrete in Hamilton, North Bay and south-west Ontario, and asphalt mixes.

York Block and Building Supply — production of concrete block and sale of builders' supplies.

Concrete Pipe Company — production of concrete pipe and related products.

Standard Paving Company — paving and road-building.

North Bay Concrete and Supply Company — production of sand and gravel, and asphalt mixes.

NATIONAL SAND AND MATERIAL COMPANY, LIMITED

operates the S.S. "Charles Dick", which recovers sand from underwater deposits in Lake Erie and Lake Ontario.

STANDARD PAVING MARITIME LIMITED

paves streets and builds roads in Nova Scotia.

E. V. BRECKON LIMITED

hauls liquid asphalt and other materials for asphalt mix and ready-mix concrete producers in south-central Ontario.

Products and Locations

SAND AND GRAVEL PLANTS

Paris, Ont. (2 plants)
Guelph
Mono Mills
Stouffville
Pickering
North Bay

ASPHALT MIX PLANTS

Paris, Ont.
Guelph
Pickering
Halifax, N.S.
Toronto
Hamilton (2 plants)
North Bay (2 plants)
Kentville, N.S.

CONCRETE BLOCK PLANT Richmond Hill

CONCRETE PIPE PLANTS

Mississauga (Toronto)
London, Ont.

PAVING AND ROAD-BUILDING

Hamilton, Ont.
North Bay, Ont.
Halifax, N.S.
Kentville, N.S.

READY-MIXED CONCRETE PLANTS

McCord & Company —

Metropolitan Toronto (3 plants)
Mississauga
Richmond Hill
Oshawa
Ajax

Red-D-Mix Concrete Company —

Hamilton (3 plants)
Beamsville
Brantford
Burlington, Ont.
Delhi
Fort Erie
Guelph
London, Ont.
Milton
Niagara Falls
North Bay
Sarnia
St. Catharines
St. Thomas
Strathroy
Welland
Windsor

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